

Message Text

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PAGE 01 ANKARA 02958 180906Z
ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 ICAE-00 SSO-00
INRE-00 /117 W

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FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1543
INFO AMCONSUL ADANA
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY BUCHAREST
AMEMBASSY ATHENS
AMEMBASSY OSLO
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY THE HAGUE
AMEMBASSY PARIS

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USEEC, USOECD

E.O. 11652: GDS
TAGS: ENRG, TU, EFIN, ELAB
SUBJECT: TURKISH PETROLEUM PRODUCTION PROSPECTS

SUMMARY: TURKEY IS MAKING PLANS TO DETERMINE WHETHER IT HAS
COMMERCIALY EXPLOITABLE OIL DEPOSITS OFF ITS MEDITERRANEAN
COAST. ONSHORE PRODUCTION POTENTIAL IS HIGH-COST BUT IS
BEING PURSUED FOR DOMESTIC POLITICAL REASONS. CONFIRMATION OF
NEW OIL POTENTIAL WOULD IMPROVE TURKEY'S CREDIT WORTHINESS
IN THE MEDIUM-TERM; BUT SINCE SUCH CONFIRMATION IS NOT
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PAGE 02 ANKARA 02958 180906Z

EXPECTED FOR AT LEAST A YEAR, IT WILL HAVE NO EFFECT ON THE
IMMEDIATE FINANCIAL CRISIS. SEVERAL AMERICAN COMPANIES ARE
INTERESTED IN THE AREA. END SUMMARY.

1. TURKEY MAY HAVE COMMERCIALY EXPLOITABLE OFF-SHORE
PETROLEUM DEPOSITS ALONG ITS 800 MILE MEDITERRANEAN COAST,
ACCORDING TO ISMAIL KAFESCIOGLU, VICE-PRESIDENT FOR EXPLORATION

OF THE TURKISH PETROLEUM CORPORATION (TPAO). STANDARD OIL OF INDIANA (AMOCO), AND SEVERAL OTHER U.S. AND FOREIGN OIL COMPANIES HAVE EXPRESSED INTEREST IN JOINT VENTURE WITH TPAO TO EXPLOIT THESE DEPOSITS.

2. SEISMIC TAPES OF THE AREA MADE IN THE LAST TWO SUMMERS BY THE TURKISH VESSEL SISMİK I, ARE CURRENTLY BEING ANALYZED BY AMOCO TO DETERMINE THE LOCATION AND EXTENT OF POSSIBLE OIL BEARING STRUCTURES. KAFESCIOGLU ESTIMATES IT WILL TAKE AMOCO EIGHT MONTHS TO PROCESS THE TAPES AND ABOUT SIX ADDITIONAL MONTHS TO COMPLETE THE ANALYSIS. DRILLING COULD BEGIN IN ABOUT 18 MONTHS.

3. KAFESCIOGLU SAID THAT NORWAY HAS OFFERED TO HELP TURKEY WITH THE CONSTRUCTION AND OPERATION OF OFFSHORE PLATFORMS IN A JOINT VENTURE WITH TPAO. TPAO PLANS TO SEND TECHNICIANS TO NORWAY FOR TRAINING.

4. ONSHORE EXPLORATION IS ALSO ACCELERATING. TPAO GEOLOGISTS HAVE FOUND NUMEROUS SMALL POCKETS OF OIL IN FAR SOUTHEASTERN TURKEY SOUTH OF LAKE VAN. THERE ARE NO ROADS INTO THE AREA AND ALL DRILLING EQUIPMENT WILL HAVE TO BE BROUGHT IN BY HEAVY HELICOPTERS WHICH TPAO HOPES TO PURCHASE OR LEASE.

5. KAFESCIOGLU HOPES TO INCREASE THE NUMBER OF TPAO RIGS IN
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PAGE 03 ANKARA 02958 180906Z

OPERATION FROM 18 TO 42 BY THE END OF 1979. HOWEVER, PRODUCTION FROM EXISTING FIELDS IS DECLINING SO RAPIDLY THAT THE ONLY EFFECT OF THE NEW RIGS WILL BE TO ENABLE TURKEY TO MAINTAIN ITS CURRENT OUTPUT OF ABOUT 2.7 MILLION METRIC TONS ANNUALLY. (TPAO PRODUCED ABOUT 40 PERCENT OF DOMESTIC CRUDE IN 1977.) HE COMMENTED THAT THERE WAS NO ECONOMIC JUSTIFICATION FOR EXPLOITING THESE NEW FIELDS SINCE PRODUCTION COSTS ARE LIKELY TO EXCEED THE COST OF IMPORTED OIL, WHICH HE IMPLIED WAS ABOUT \$11.00 A BARREL. HOWEVER, INCREASING PETROLEUM PRODUCTION IS ONE OF THE GOVERNMENT'S HIGHEST PRIORITIES, AND IT IS WILLING TO APPROPRIATE WHATEVER TURKISH LIRA MAY BE REQUIRED IN ORDER TO DECREASE TURKEY'S EXPENDITURE OF SCARCE FOREIGN EXCHANGE FOR OIL IMPORTS.

6. KAFESCIOGLU SAID TURKEY HOPES TO IMPORT NEW ON-SHORE DRILLING RIGS FROM ROMANIA BECAUSE THEY CAN BE PURCHASED ON EASY CREDIT TERMS, BUT HE COMPLAINED THAT THE METAL ALLOYS USED IN THE RIGS WAS NOT VERY STRONG. AS A RESULT, ROMANIAN RIGS WERE THREE TIMES AS HEAVY AS COMPARABLE U.S. RIGS. POOR QUALITY OF ROMANIAN PIPE AND DRILL BITS MAY CREATE ADDITIONAL PROBLEMS, SINCE VERY DEEP DRILLING IS REQUIRED AND THE ROMANIAN EQUIPMENT MAY NOT BE ADEQUATE.

7. LABOR PROBLEMS WILL ALSO ADD TO TPAO'S COSTS. TPAO'S WAGE BILL IN 1977 WAS TL 670 MILLION. ITS UNIONS ARE CURRENTLY DEMANDING A 200 PERCENT WAGE/BENEFIT INCREASE OVER THE NEXT TWO YEARS. AN ARBITRATION PANEL HAS PROPOSED A COMPROMISE INCREASE OF 53 PERCENT, BUT THE UNION HAS REJECTED THIS. IF UNION DEMANDS WERE MET, TPAO'S WAGE BILL IN 1979 WOULD EXCEED 2 BILLION LIRA, AN AMOUNT EQUAL TO THE CORPORATION'S PAID-IN CAPITAL.

8. COMMENT: IF COMMERCIALY EXPLOITABLE, OFFSHORE OIL DEPOSITS COULD EASE TURKEY'S CHRONIC BALANCE OF PAYMENTS PROBLEMS. IN 1977, THE COST OF TURKEY'S PETROLEUM IMPORTS WAS EQUIVALENT TO 82 PERCENT OF ITS EXPORT EARNINGS. EVEN THOUGH OFFSHORE
CONFIDENTIAL

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PAGE 04 ANKARA 02958 180906Z

OIL PROBABLY WOQLD NOT START FLOWING UNTIL 1982 AT THE EARLIEST, EARLY CONFIRMATION OF LARGE OIL DEPOSITS WOULD RAISE TURKEY'S CREDITWORTHINESS AND INCREASE ITS ABILITY TO BORROW IN THE INTERVENING YEARS. BECAUSE SUCH CONFIRMATION WILL NOT BE FORTHCOMING FOR AT LEAST A YEAR, THIS WILL NOT ALLEVIATE TURKEY'S IMMEDIATE FINANCING PROBLEMS.
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